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CURRENT MISCONCEPTIONS OF TRADE WITH LATIN-AMERICA

BY HUGH MACNAIR KAHLER,

Editor of "How to Export;" Vice-President Latin-American Chamber of Commerce; Publisher of the Spanish periodicals "America" and "Ingenieria."

Generalities on commercial subjects are deceptive. Much of the popular misunderstanding of our Latin neighbors grows out of the inclusive title which for convenience we are accustomed to apply to the twenty republics which occupy the rest of our continent.

The name is applied to a territory so vast and a range of conditions and populations so varied that its extremes have absolutely nothing in common. And one of the most general of our American delusions on the subject grows out of the very natural inference that Latin-America stands for certain definite, concrete and invariable elements.

This, and a host of other forms of ignorance are so easily corrected by reference to readily accessible facts that scant attention should be devoted to them in such a paper as this. That Latin-America includes countries of all sorts and conditions, climates ranging from the very hottest tropics to the frigid antarctic zone,—with a corresponding variety of products,—populations of totally distinct origin, speech, habits, needs and ambitions, is visible in every school geography, and it should be no part of such a disquisition as this to mention such facts. And although errors arising from ignorance of these truths are still the commonest and most damaging of all the host of misconceptions which militate against our commercial progress in Latin-America, there can be no question as to the rapidity with which they are disappearing with the advent of a vital and general need for the patronage of our southern neighbors.

This common error should, however, be corrected first of all. Hayti and Chile have absolutely not a single point in common save religion, and scarcely can be said to share even that. Brazil and Bolivia, though neighboring countries, differ radically in race, cli-

mate, products, speech, and all other important features, and Argentina, while differing almost as vitally from Bolivia is quite as different from Chile and Brazil, its other neighbors. Obviously, the very general tendency to make no distinction whatever between these widely different constituent elements, exercises a decidedly unfavorable effect upon the careless attempt to win their patronage. And there is no easy, general means of setting the matter plain, for the reason that in different lines of business the division of the territory and the alteration of the methods by which it is to be approached successfully, will vary as widely as the lines of business or as the countries themselves. For example, Argentina and Chile are very similar so far as their requirements in clothing are concerned, since the tastes and means of their populations and the demands of their climates are nearly identical. Yet as fields for the sale of mining machinery, they are very far apart, Chile offering an excellent and highly developed market, and Argentina holding forth almost no prospect at all.

Such errors as this, however, are matters of ignorance, errors of general information, of premise. Their correction requires only the rudimentary investigation which can be made by any business man without other facilities than an atlas. This paper cannot concern itself with the manifold details by which a clear, accurate knowledge of the varied conditions obtaining in this territory can be gained. It must be limited to the more involved misconceptions which grow out of faulty logic rather than insufficient knowledge, whose correction is a matter for careful thought, rather than superficial investigation.

Commonest of all such delusions affecting our commerce with Latin-America is the very deeply rooted and nearly universal belief that Europe is a preferable field for export effort. This error has a solid foundation in truth. Until one year ago Europe was unquestionably our best foreign customer. But until one year ago the major portion of our exports had consisted of raw products, grains, meats, textiles, crude metals, rough timber, etc., which naturally found their logical market in the crowded manufacturing countries of Europe, where such products have been items of imports for from fifty years to a century or more. Very reasonably we considered Europe as our best export market. So long as we were primarily a nation of farmers, no other territory could offer us a fraction of

the inducements held forth by the hungry, overcrowded manufacturing cities of England and the continent.

But in the year 1910, for the first time, our exports of manufactured goods exceeded our foreign sales of raw products. The former showed a consistent and heavy increase for a number of years back. The latter displayed a slight but consistent decline during the same period. We are no longer a farming nation, save for our own needs. Our surplus, for export, will hereafter tend steadily toward the more involved types of manufactured goods which leave us the maximum number of profits and bring us the maximum price abroad.

But with a surplus of manufactures to sell abroad, it by no means follows that those who have been readiest to purchase our wheat and beef will be the first to make us offers on our machinery and cloth. On the contrary, we find ourselves in direct competition with these former customers of ours, and under the necessity of finding a neutral market, where our merchandise shall have at least a fair field, without favor, which we can never expect to attain in these competing lands themselves.

Despite this obvious truth, and notwithstanding its self-evident nature, comparatively few American business men have as yet realized it. It is quite commonly advanced, in serious commercial papers, that because England buys our wheat, it must be a logical market for our harvesting machines, whereas the precise contrary is obviously true, the need for imported wheat being excellent *prima facie* evidence of the scant requirement for harvesters.

This, like all generalities, is of course deceptive. It is true only in the main and in the majority of cases, with a vast number of more or less important exceptions. Europe still presents a splendid market for many manufactured lines, and Latin-America still purchases certain raw products. But in the main it may be stated categorically, that our manufactures will find their best acceptance in non-manufacturing, but wealthy, lands, such as Latin-America, and that we shall gradually be forced out of the protected markets of crowded manufacturing territory, such as Europe.

Even the most notably successful lines of American manufacture, which have almost dominated the European market since their origin, prove this assertion rather than contradict it. Among these, typewriting machines present perhaps the most striking example. In

this case, commercial conditions are vastly in favor of American export as opposed to local manufacture for the European markets. The American domestic market was by far the largest individual field for such an innovation. Commercial tradition here had not solidified into the rigid prejudice which still exists in Europe, and the machine met a wide and ready acceptance in America which enabled its inventors to manufacture on the enormous scale which is most favorable to the economic production of such an article. Each individual European market was relatively small, and hampered, as well, by the ancient traditions of commerce which vigorously opposed the innovation. European manufacturers, even with cheaper skilled labor, plenty of power, material and capital, and a tariff protection as well, saw scant incentive toward local competitive manufacture, and the field was left almost entirely to Americans, who spent enormous amounts of time and money in its development.

In spite of the unfavorable conditions, a market was created and enlarged. European branches began to show heavy profits instead of losses. But no sooner had this become manifest than the European manufacturers entered the field, and, in spite of the expensively acquired prestige of the American machines, speedily began to command a considerable share of the local trade and even to compete for export. To-day in neutral as well as protected markets German and French typewriters compete quite notably with the American machines.

Opposed to the inevitable competition which successful export of manufactured goods to Europe must invite, Latin-America presents a field in which the possibility of local manufacture is so remote as to be quite outside of present consideration. Not only are all the essential conditions for successful manufacture lacking in nearly all of the territory, but the incentive is absent as well. Latin-America draws its income from the production and export of a few agricultural products, certain precious metals, a few textiles and a relatively insignificant amount of hard woods. Its principal sources of revenue lie in rubber and chocolate and coffee, aside from the grain and beef of Argentina and Uruguay and the nitrates of Chile. And rubber and chocolate are nearly unique in two respects. First, their price has almost no relation to their cost of production, the demand being far in excess of the supply, and second, their production does not exhaust the soil, but can be continued

indefinitely, with little attention, without fertilizer, and with practically no skilled labor or machinery. Under such conditions, even an increasing population can scarcely bring about the establishment of the less profitable manufacturing industries, for which the larger portions of the territory are, be it remembered, topographically and climatically unfitted, and which require capital, skilled labor and close attention both to production and to sales. In brief, Latin-America, is in the main so suited to the primitive industries and enjoys such an immense return from those industries, that it is almost inconceivable that manufacturing pursuits will ever materially command the energy and resources of the Latin-American peoples.

With a foreign commerce of considerably more than two billions a year, affecting only thirty or forty millions of population, at the most, Latin-America is and must continue to be an exceedingly wealthy, even luxurious, territory, demanding as necessities all the adjuncts of a complex, modern civilization.

To be sure, its present capacity in certain lines is much inferior to that of Europe. But it should always be borne in mind that its capacity must increase, without danger of local competition, while that of Europe will in all probability decrease, and suffer, moreover, from increasingly bitter local competition.

It is peculiarly illustrative of our immature views on export, that precisely those who are most thoroughly imbued with the idea that Europe is our best market, should hold also to the diametrically opposite delusion, equally incorrect, that European competition shuts us out of such neutral markets as Latin-America, and even threatens our home market unless barred out by a steadily rising tariff wall.

Like most of our errors regarding Latin-America, this delusion has a sound foundation in fact. There can be no question as to our inability to compete with European manufacturers in certain lines, *providing price is the sole factor*. And failure to take into account the significance of that proviso, as we have learned it in our home trade, constitutes the error.

It would be regarded as laughable folly should the aristocratic tailor to the wealthy clubman seek protection against the cheap competition of the humble dealer in cast-offs. The maker of the luxurious motor car does not complain of the ruinously cheap competition of the trolley and subway, and the makers of fine

watches find that the wide sale of cheap, machine-made timepieces aids rather than hinders the traffic in their goods. In a word, we have come to realize better than any other commercial people, that price is by no means the deciding factor in many, if not in the actual majority of lines. And this is exceedingly true of export.

English, German, French, Belgian and Italian competition in certain lines would be impossible to meet were our arguments confined to prices. But on a basis of quality, convenience, economy, strength, efficiency, comfort, luxury or taste, competition is not only practicable but comparatively easy. To this there are certain exceptions, as to every general assertion, but it is hard to mention a line in which we do not meet with at least a fair degree of success in any reasonably neutral market.

The predominance of certain European nations in the Latin-American markets is due almost entirely to the fact that they began long ago to solicit that trade and to serve it with some degree of intelligence. A recently published interview with Napoleon, during his brief sojourn in Elba, as related by an English hardware manufacturer who visited the Emperor there, is illuminating, in this direction. It discloses the fact that just a century ago the English manufacturers had succeeded in forcing an entrance into the closed market of the River Plate, then a dependency of Spain. And at that time they were not only distributing their goods free of all charges, but were going to considerable expense to educate the colonials in their use and advantages. Here is the real reason for England's present position in the Argentine market. It is not to be found in any other feature of English export methods, which, as a whole, are by no means so intelligent as we are led to believe by those pessimists who see no future for us in export, and particularly little in export to Latin-America.

European predominance, where it exists, is due very largely to priority, and in a relatively insignificant degree to lower prices, more intelligent methods, or better facilities. And European predominance is by no means so extensive as it might appear, which is another misconception which merits individual attention.

English sales to Brazil, for example, are much larger than ours, despite a certain degree of reciprocity in tariff arrangements which favors us. But on examining the nature of English exports to Brazil, it appears that more than the entire excess over our own

sales is made up of *coal, coke, cinders, jute bags and cotton yarns!* None of these is an item in our own exports, and none of them offers any great volume of profit to the seller. Quite frequently an apparently enormous difference between our sales and those of some European nation can be accounted for in the same manner—Spain, with her wines and grapes; France, with her wines, liqueurs and clothing; Italy, with macaroni and olive oil; Germany, with dye-stuffs and toys, all hold a large volume of trade without fear of competition, just as we ourselves hold the field in typewriters, phonographs, sewing machines and harvesters.

The real advantage of European priority in the Latin-American market lies in the more highly developed commercial machinery which this older commerce has called into being, and which has in turn served to enlarge and perpetuate that commerce. Shipping and mail facilities, international banking and mercantile corporations, a closer mutual acquaintance and understanding, all of these things are creations of trade rather than creators of it. And this brings us to another very common illusion on the part of Americans, who frequently refrain from effort toward Latin-American trade because of the lack or inferiority of these adjuncts of commerce. Indeed, there are a number of very influential organizations engaged in endeavors to create this commercial machinery by treaty, by act of Congress or by private benefactions, with a view to placing our foreign trade efforts on a basis of equality with those of Europe.

Honest endeavor of any sort is deserving of something better than ridicule, yet it is hard to refer to these misguided enthusiasts without a touch of sarcasm, at least. A bank, a steamer line, a commercial agency, are purely business institutions, and cannot exist properly on a basis of philanthropy. In plain language, a bank does not prosper if it must create the conditions by which it exists, a steamer line cannot show dividends if it must create a market for its cargo and a source for its return cargo. That we have not already built up such incidental institutions to export trade is due simply to the fact that until last year we were not actually engaged in export, for the main part, but were devoting the greater share of our energies to the production of raw goods whose foreign sale was a matter of accident and not of design. The banks, steamship lines, credit facilities and similar conveniences which European exporters enjoy to-day are the outgrowth of their older export endeavor. We shall

have these, and better, before our export effort is as old as that of Europe is to-day, but their origin and prosperity must of necessity follow rather than precede the demand for their services. Greater New York prospers to-day because of its rapid transit systems, yet it would be self-evident folly to assert that had such a system been established fifty years ago, New York would have been able to use it economically and to profit by it. Instead of building up the city, the operation of such a system would assuredly have bankrupted it.

The matter of credits, briefly mentioned above involves another misconception of wide and disastrous effect. Many American manufacturers absolutely abstain from entry into the Latin-American field because of an essentially incorrect impression that success there requires protracted credits on unsafe grounds. Nothing could be further from the fact. Of our present very creditable showing of sales to Latin-America,—of about one-eighth of that territory's total imports,—it is conservative to state that more than one-half are cash transactions, in which the manufacturer receives his full payment before parting with his merchandise. No more definite rebuttal of the delusion of necessary credits could be desired. But it is quite true that long dealings with European houses, who, among customers of many years' standing are willing to give liberal time accommodations, have led certain Latin-American houses to ask for credits which would appear slightly longer than those commonly extended to the same class of trade in this country. But such cases are comparatively rare, and when they arise, it is usually entirely practicable to arrange some compromise mutually satisfactory. And the unwillingness of the American manufacturer to extend the credit is usually due less to his inability to meet the terms desired in point of time, than to his instinctive distrust of the honesty and solvency of his foreign customer.

Naturally, no credit transaction can be considered advisable unless the buyer is able to present reasonable proofs of his worthiness. And the relative difficulty of securing information as to the resources of a Latin-American business house, inclines the American to distrust it. As a matter of fact, the level of business morality in all Latin-America is far higher than here at home. Fraudulent bankruptcy is nearly impossible, because of rigorous governmental inspection of books, and a record of business and bank failures throughout Latin-America would show so remarkably few instances

that no American would be willing to believe it. This somewhat theoretical statement is amply confirmed, moreover, by the experience of those who have learned to extend credits to their Latin-American trade as readily as they oblige their domestic customers. Without exception the largest shippers of this class testify that their losses abroad from unwise credits are negligible compared with losses at home, figured proportionately and not on the aggregate business.

A further incorrect impression exercising a deterrent influence on Americans who could profitably enter the Latin-American field, grows out of the anxiety of certain advocates of a ship subsidy. These persons strengthen their plea by belittling our present shipping facilities, until it is not remarkable that many Americans should believe that we have no facilities for the transfer of freight to Latin-American points. It is no more than the truth that our freights to these countries, as to all others, are carried almost entirely by the ships of foreign nations. We have not found marine carrying a profitable field for our capital and our energies and have left it to those who are willing to undertake more risk and labor for a smaller return than we can accept. But there has never been, nor can there ever be, any lack of carriers for all goods which we can sell abroad. The ocean carrier is not limited to any one course. He brings his ships wherever cargoes are to be found, and though local prices may occasionally rise slightly through unexpected increases in freights, there is not, there never has been, and there never can be, any definite shortage in the supply of carriers. This is a categorical denial of contrary statements, without other proof than the reader's common sense. As for the relative merits of foreign and American merchant ships, that is a question which has nothing to do with Latin-America, and which need not enter into the present discussion.

Such are the chief misconceptions of commerce with Latin-America. It is evident that no attempt has been made to treat specifically the host of minor errors which are far more common than correct views. As has been said, these minor mistakes arise from basic ignorance of easily discovered facts, from an imperfect knowledge of history and geography which a brief return to the text-books of primary-school days would suffice to remove. And it is pleasant to chronicle the rapid diminution in these more elementary and more harmful delusions, under the impetus of our new-

born need for a growing, profitable foreign outlet for manufactured goods. The day is not far distant when most Americans, instead of a very few, will realize that a Spanish catalogue in Hayti or Brazil is unproductive, that skates are not in demand in Venezuela or Cuba, that it is better to export flour to Brazil and harvesters to Argentina than to seek outlets for both in both countries. We shall learn, too, to meet courtesy with courtesy, to study the Latin trend of thought, to observe our field and to interpret intelligently the conditions under which we must labor. We shall assuredly overcome these problems, for we already feel the pinch of necessity.

Dropping criticism, there is much ground for pride in our accomplishment thus far. Indeed, if we require proof of the ultimate success of American export endeavor in Latin-America, we need only survey the deeds which have been done in the last decade to realize that not even we ourselves can prevent our final and complete domination of what unquestionably is to be the greatest import market the world has ever known.